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June 16, 2022

**VIA ELECTRONIC FILING**

The Honorable Jocelyn G. Boyd  
Chief Clerk/Executive Director  
Public Service Commission of South Carolina  
101 Executive Center Drive, Suite 100  
Columbia, SC 29210

**Re: Annual Review of Base Rates for Fuel Costs of Duke Energy Progress, LLC  
Docket Number: 2022-1-E**

**Duke Energy Progress, LLC's Late-Filed Hearing Exhibit No. 7**

Dear Ms. Boyd:

During the June 6, 2022, hearing of the above matter, Duke Energy Progress, LLC ("DEP") was asked to provide a late-filed exhibit analyzing the cumulative under-recovery of capacity costs as of February 28, 2022. Pursuant to that request, enclosed for filing is DEP's Late-Filed Hearing Exhibit No. 7.

By copy of this letter, I am serving all parties of record via electronic mail.

Sincerely,

A handwritten signature in blue ink that reads "Katie M. Brown". The signature is written in a cursive, flowing style.

Katie M. Brown

cc: Parties of record  
C. Jo Anne Wessinger Hill, General Counsel, Public Service Commission of South Carolina  
Sharon Plyler Besley, Staff Counsel, Public Service Commission of South Carolina

**Duke Energy Progress, LLC**  
**2022-1-E**  
**Late-Filed Hearing Exhibit No. 7**

Duke Energy Progress, LLC (“DEP” or the “Company”) was asked to provide a late-filed exhibit analyzing the cumulative under-recovery of capacity costs as of February 28, 2022 and makes this late-filed exhibit in response thereto.

ORS Witness Bickley’s pre-filed direct testimony Exhibit BSB-4 Titled, “History of Cumulative Recovery Accounts” reflects the Company’s cumulative (over)/under recovered capacity-related costs accrued by year as follows:

2015	\$1.80M
2016	\$0.11M
2017	\$(1.01M)
2018	\$0.73M
2019	\$(1.05M)
2020	\$1.70M
2021	\$2.76M
2022	<u>\$1.01M</u>
<b>TOTAL TO DATE</b>	<b>\$6.05M</b>

DEP Witness Harrington’s pre-filed direct testimony reflects the same balance, as follows:

	<u>Beginning Balance as of March 1, 2021</u>	<u>Current Review Period</u>	<u>Ending Balance as of February 28, 2022</u>
Residential (Exh 7 Pg 1)	\$1.22M	\$0.31M	\$1.53M
Gen Service Non-demand (Exh 7 Pg 3)	\$0.18M	\$0.09M	\$0.27M
Gen Service Demand (Exh 7 Pg 5)	\$3.64M	\$0.61M	\$4.25M
<b><u>TOTAL TO DATE</u></b>	<b>\$5.04M</b>	<b>\$1.01M</b>	<b>\$6.05M</b>

**Response:**

In total, DEP incurred a total of \$231.8M in system capacity-related costs during the review period of which \$22.56M was the SC retail portion.<sup>1</sup> Therefore, the change in the SC retail under-recovered<sup>2</sup> balance of capacity costs was \$1.01M for the review period, which represents a 4.5% variance from forecast during the review period. The primary drivers for this variance are variability between estimates and actuals for purchased power capacity costs and firm transportation and storage costs on natural gas.<sup>3</sup>

Regarding purchased power capacity costs, the majority of the variance was due to prices coming in higher than forecasted; however, the higher prices were slightly offset by lower than forecasted volumes actually purchased. Specifically, \$65.8M in system PURPA Purchased Power Capacity Costs were forecasted associated with 6,476 GWhs of purchased energy. \$83.1M in system PURPA Purchased Power Capacity Costs on 6,028 MWhs of purchased energy were incurred.

Regarding firm transportation and storage costs on natural gas, \$126.9M in system firm transportation and storage costs on natural gas were forecasted based on the expectation of producing 13,955 GWhs of energy from those natural gas flows. \$148.7M in system costs were incurred associated with the production of 22,648 GWhs of energy from those natural gas flows. The majority of the variance from forecast was attributable to gas volumes (i.e., GWhs of energy generated on a higher quantity of gas volumes), but a significant portion of the variance was offset by spreading the comparably small increase in fixed costs over a much larger gas volume.

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<sup>1</sup> The capacity-related component of a billed rate is based on the following forecasted units of measure: (1) price/kWh on purchases from qualifying facilities; (2) purchased kWhs from those qualifying facilities; (3) firm transportation and storage fixed costs; (4) system kWhs generated by natural gas; (5) SC retail kWh sales as a percentage of system kWh sales; and (6) SC retail customer class contributions to firm coincident peak versus the customer class contributions to firm coincident peak from the prior year.

<sup>2</sup> An over or under recovered balance represents how incoming revenues match outgoing expenses over the same period.

<sup>3</sup> Forecasted costs and forecasted kWhs (generated by natural gas or purchased from qualifying facilities) for the months of March 2021 – June 2021 were based on estimates from Docket No. 2020-1-E. That forecast was prepared in January 2020 for costs which were to be experienced 14-18 months later. Forecasted costs and forecasted kWhs (generated or purchased) for the months of July 2021 – February 2022 were based on estimates from Docket No. 2021-1-E. This forecast was prepared in January 2021 for costs which would be experienced 6-14 months later.